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FEE: 48.00 SC: 4.00 PT: 1.00
BOOK: 3170 PAGE 268 PAGES: 048

INSTRUMENT # 9633479
OFFICIAL RECORDS OF
YAVAPAI COUNTY
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REQUEST OF:
SNELL & WILMER
DATE: 06/17/1996 TIME: 11:30
FEE: 48.00 SC: 4.00 PT: 1.00
BOOK: 3225 PAGE 336 PAGES: 048

DECLARATION OF COVENANTS, CONDITIONS
AND RESTRICTIONS FOR
CRIMSON VIEW

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Crimson View Properties,
L.L.C., an Arizona Limited
Liability Company

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DECLARATIONS OF COVENANTS, CONDITIONS
AND RESTRICTIONS FOR
CRIMSON VIEW

Crimson View Properties, L.L.C., an Arizona Limited Liability Company (the "Declarant"), is the owner of certain real property situated in the City of Sedona, County of Yavapai, State of Arizona, more particularly described on the Plat for Crimson View, Lots 1 through 91, and Tracts A and B, a subdivision of Yavapai County, Arizona, recorded Book 3170 Page 268 of Maps and Plats, Yavapai County Records (the "Properties" or "Project").

NOW, THEREFORE, Declarant hereby declares that all of the real property described on the Plat shall be held, sold and conveyed subject to the following covenants, conditions, charges, liens, restrictions, easements and reservations (hereinafter collectively sometimes called "restrictions" or referred to as this "Declaration"), all of which are for the purpose of enhancing and protecting the value, desirability and attractiveness of the real property, and all of which are hereby declared to be for the benefit of and binding upon all of the property described herein and the owners thereof, their heirs, successors, grantees and assigns. These restrictions shall run with the title to such property, and each and every part and parcel thereof, shall be binding on all parties having or acquiring any right, title and interest in the described properties or any part thereof, and shall inure to the benefit of each owner thereof.

This declaration hereby establishes a general plan for the development of such property, the individual ownership of real property estates, consisting of a single-family dwelling and membership in a non-profit corporation which shall own certain Tracts of land, as shown on the Plat, which Tracts, as provided herein, shall be referred to as "Common Areas." Every conveyance of any single family dwelling, Lot or other portion of the subject property shall be and is subject to these covenants, conditions, charges, liens, restrictions, easements and reservations.

ARTICLE I
DEFINITIONS

As used herein, unless context otherwise requires:

Section 1.1 "Articles" shall mean the Articles of Incorporation for the Association, which are to be filed in the office of the Corporation Commission of the State of Arizona, as the same may be amended from time to time.

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Section 1.2 "Assessments" shall mean the Regular, Special and Individual Assessments levied and assessed pursuant to this Declaration.

Section 1.3 "Assessment Lien" shall mean the lien imposed against any Lot for collection of the sums described in Article VII of this Declaration.

Section 1.4 "Association" shall mean and refer to CRIMSON VIEW HOMEOWNERS ASSOCIATION, an Arizona non-profit corporation, and its successors and assigns.

Section 1.5 "Association Rules" shall mean the rules and regulations adopted by the Association pursuant to the provisions of this Declaration, as such rules and regulations may be amended from time to time.

Section 1.6 "Board" shall mean and refer to the Board of Directors of the Association.

Section 1.7 "Building Envelope" shall mean that developable area within each Lot in which all improvements, other than driveways, must be built and the only area in which alterations to the existing landscape may occur unless otherwise approved by the Design Review Committee. The Building Envelope for each Lot shall be determined by the Design Review Committee, and each Owner shall be notified in writing, by delivery of a plot plan, of the precise limits and scope of the Building Envelope for his or her Lot.

Section 1.8 "Bylaws" shall mean the Bylaws of the Association, as the same may be amended from time to time.

Section 1.9 "Design Guidelines" shall mean the rules and building guidelines adopted, if any, by the Design Review Committee, as the same may be amended from time to time.

Section 1.10 "Common Areas" shall mean Tracts A and B shown on the Plat, and all real property and improvements located thereon, and all other real property now or hereafter owned by the Association or existing for the common use and enjoyment of the Members of the Association, including, but not limited to, all land shown on the Plat, except the land specifically designated as Lots. Common Areas are as follows:

Common Area "A" Protected Open Space, described as Tract A on the Plat, and being the area of land, essentially unimproved and not occupied by structures or manmade elements, except pedestrian trails, paths approved by the Design Review Committee, utility improvements located within recorded utility easements, and portions of said Tract A that are reserved by recorded plat for the private enjoyment of the Owners as a general preservation or conservation area, except as provided herein or except as modified by Declarant. There is reserved over and across Common Area a blanket easement for the drainage and detention of storm and flood waters and for the construction by the Association of improvements designed and intended for use in controlling, directing or detaining flood and storm waters,

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Common Area "B" Open Space, ingress and egress to Lots, including perpetual easements for limited access roads and utilities therein appurtenant to each Lot, and other Common Area located between the Lots and shown as Tract B upon the Plat. The precise location of limited access roads leading to certain of the Lots from the public streets shall be determined by the Design Review Committee and by Declarant, in their sole and absolute discretion and, once located and built, may not be altered or changed except with the written approval of the Design Review Committee. There is reserved over and across Common Area B a blanket easement for the drainage and detention of storm and flood waters and for the construction by the Association of improvements designed and intended for use in controlling, directing or detaining flood and storm waters.

Section 1.11 "Common Expenses" shall mean the actual and estimated costs of maintenance, management, operation, repair and replacement of the Common Areas and the Improvements thereon; costs of management and administration of the Association including, but not limited to, compensation paid by the Association to managers and other employees, accountants, attorneys and agents; the costs of utilities, street maintenance and repair, trash pickup and disposal, gardening, landscaping, costs of security guards, if any, and the operation of the gates and/or key gates at the entrances of the Property, and any other security systems, including without limitation, perimeter fences or any other security fences installed by the Declarant or by the Association for the benefit of the Property and other services benefiting the Property; the cost of fire, casualty, liability, worker's compensation and other insurance covering the Common Areas or other Association property and other insurance costs authorized herein; reasonable reserves as deemed appropriate by the Board; the costs of insurance binders for the members of the Board, officers of the Association and members of any committee established by the Board pursuant to the terms hereof; taxes paid by the Association; amounts paid by the Association for discharge of any lien or encumbrance levied against the Common Areas or portions thereof; and the costs of any other item or items designated by, or incidental to other expenses incurred by the Association for any reason whatsoever which in the good faith judgment of the Board are incurred in connection with the Common Areas, pursuant to the Articles or the Bylaws, in the furtherance of the purposes of the Association, or in the discharge of any obligations imposed on the Association by this Declaration.

Section 1.12 "Declarant" shall mean Crimson View Properties, L.L.C., an Arizona limited liability company (the "Declarant"), and its successors or assigns to whom the rights of Declarant are assigned by separate recorded instrument. Any rights of the Declarant hereunder may be exercised by the beneficiary of Declarant. The term "Declarant" shall also include any holder of a first mortgage upon the Properties and who has succeeded by foreclosure or deed in lieu thereof to all or substantially of the Properties, or who has foreclosed its interest in any assignment of Declarant's rights given as security.

Section 1.13 "Declaration" shall mean this Declaration of Covenants, Conditions and Restrictions for Crimson View, as amended or supplemented from time to time.

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Section 1.14 "Default Rate" shall mean an annual rate of interest equal to the prime rate as published by Bank One Arizona NA, plus four (4) percentage points, but never less than eighteen percent (18%) per annum. Notwithstanding anything herein to the contrary, during any periods, the highest lawful rate of interest which may be paid by the person required to pay the Default Rate is less than the Default Rate, the interest payable by such person during said periods shall be the highest lawful rate. If Bank One Arizona NA should cease doing business or no longer announce its prime rate as described above, the Board may specify the Rate, in lieu of said prime rate, for the purposes of computing the Default Rate.

Section 1.15 "Design Review Committee" shall mean the committee to be established by the Board pursuant to the provisions hereof.

Section 1.16 "Dwelling Unit" shall mean any building or portion of a building situated upon a Building Envelope and intended for use and occupancy as a single-family residence.

Section 1.17 "Improvement" shall mean any changes, alterations, or additions to a Lot, including any Residence, and including but not limited to buildings, outbuildings, building projections, patios, swimming pools, walls, driveways, grading, Excavation, landscaping and any Structure or other improvement or structure of any type or kind. Solely for purposes of clarification, the term "Improvement" shall include radio antennae, television antennae, satellite stations or dishes, awnings, sunshades, flagpoles, or any similar structures.

Section 1.18 "Individual Assessment" shall mean any assessment levied against an individual owner pursuant to the provisions hereof, and any other charges, fines, penalties, costs or other amounts assessed against an individual owner pursuant to the terms of this Declaration, the Association Rules or the Design Guidelines, if any are adopted, except for Regular Assessments and Special Assessments.

Section 1.19 "Lot" shall mean each numbered Lot shown upon the Plat.

Section 1.20 "Member" shall mean and refer to every person or entity who holds membership interest in the Association.

Section 1.21 "Owner" shall mean the record holder of legal title to the fee interest in any Lot regardless of whether such owner actually resides therein, or the equitable Owner of record under a contract of sale. "Owner" shall also include each person who owns title to a Lot in joint tenancy, tenancy in common, as community property, or any other form of joint ownership. "Owner" is not intended to include persons who hold an interest in any Lot merely as security for the performance of an obligation, the seller under a contract of sale or a lessee or tenant of a Unit. "Owner" shall include Declarant so long as Declarant owns any Lots within the Properties.

Section 1.22 "Plat" shall mean that certain Plat of Crimson View, Lots 1 through 91, and Tracts A and B, a subdivision of Yavapai County, Arizona, recorded in Book 1370 Page .

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records of Yavapai County, Arizona, as the same may be modified or amended from time to time.

Section 1.23 "Private Area" shall mean that part of the Building Envelope which is, for the most part, not openly visible from adjacent Building Envelopes or Common Areas.

Section 1.24 "Project", "Properties", "Property" or "Premises" shall mean the Crimson View subdivision, including all Improvements thereon and all detached single family dwellings which have or will be developed therein.

Section 1.25 "Regular Assessment" shall mean the charge levied and assessed each year against each Lot pursuant to Article VII, Section 3 herein below.

Section 1.26 "Residence" means any building or portion of a building situated upon a Lot and any Improvements constructed in connection therewith that is intended for use and occupancy as a single-family residence.

Section 1.27 "Restrictions" shall mean the covenants, conditions, restrictions, assessments, easements and liens set forth in this Declaration.

Section 1.28 "Special Assessment" shall mean any assessment levied and assessed pursuant to Article VII, Section 4 herein below.

Section 1.29 "Structure " means anything constructed or erected on a Lot, the use of which requires location on the ground or attachment to something having location on the ground, including buildings, outbuildings, garages, porches, fireplaces, pavilions, ramadas, building projections, or any other similar improvement.

Section don 1.30 "Visible from Neighboring Property" means the reasonable visibility of any given object or activity on a Lot, without artificial sight aids, from six feet above that portion of any other Lot or Common Area of similar and equal elevation to that portion of the Lot upon which such object or activity is located.

ARTICLE II ASSOCIATION

Section 2.1 General. The Association is a non-profit corporation organized under the laws of the State of Arizona. for the general welfare and benefit of the owners. The Association, through its Board, officers and committees, shall take the appropriate action to manage, maintain, repair, replace and improve the Common Areas, together with all Improvements located thereon (except as otherwise provided herein), to perform related activities, and to perform all other functions and duties assigned to the Association by this Declaration, by the Articles or Bylaws, or properly delegated to it by its Members.

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Section 2.2 Membership. Membership in the Association, except for membership of the incorporators, the Declarant and any Board members elected while Declarant owns at least one Lot, shall be limited to the Owners of Lots within the Property. Such membership shall be subject to all the provisions of this Declaration, the Articles and Bylaws. Each grantee of Declarant, by the acceptance of a deed of conveyance, or each purchaser under any agreement c sale, or each person at any time owning or acquiring any interest in any Lots accepts the same subject to all restrictions, conditions, covenants, reservations, liens and charges, and the jurisdiction, rights and powers created or reserved by this Declaration, and all rights, benefits and privileges of every character hereby granted, created, reserved or declared, and all impositions and obligations hereby imposed, and shall be a member of the Association subject to the Articles, Bylaws, Association Rules, and the Design Guidelines, if any, and any other rules and regulations adopted by the Association.

Every owner of a Lot, including Declarant, shall automatically, upon becoming the owner of the Lot, be a Member of the Association, and shall remain a Member of the Association until such time as his ownership for any reason ceases, at which time his membership in the Association shall automatically cease. Membership shall be appurtenant to and may not be separated from ownership of any Lot. A membership in the Association shall not be transferred, pledged or alienated in any way except on the sale of such Lot and then only to such purchaser, or by intestate succession, testamentary disposition, foreclosure of mortgage of record, or other legal process. Any attempt to make a prohibited transfer is void and will not be reflected upon the books and records of the Association.

The record owner of a Lot shall be entitled to one membership in the Association, and there shall be no more than one membership for each Lot. In the event any Lot is owned by two or more persons or entities, the single membership for that Lot shall be joint and shall be issued in the names of all Owners. The Owners shall designate to the Association, in writing, the owner who shall have the power to vote said membership, and in the absence of such designation, the Board may designate the Owner who shall have the power to vote the membership.

In the event any Owner casts a ballot representing a certain Lot, it will be conclusively presumed for all purposes that such owner was acting with the authority and consent of all other owners of the same Lot. In the event more than one ballot is cast for a particular Lot, none of said votes shall be counted. Said vote shall be deemed void, and said Lot will not be counted for purposes of determining; whether the voting requirements hereunder have been met.

At the discretion of the Board, certificates of membership may be issued, but if certificates are not issued, membership shall be evidenced solely by an official list of Members kept by the Secretary of the Association or such other person designated by the Board.

In the event of any conflict between the provisions hereof and the provisions of the Articles or Bylaws, the provisions of this Declaration shall always control.

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Section 2.3 Voting Rights. The Association shall have two classes of voting membership.

Class A. Class A Members shall be all owners of Lots, other than Declarant. Each Class A Member shall be entitled to one (1) vote for each Lot owned.

Class B. The Class B Member shall be the Declarant who shall have seven (7) votes for each Lot owned. The Declarant may cast said votes in such proportions on any matter as Declarant determines.

In addition, so long as Declarant owns a single Lot, Declarant shall have the right to maintain absolute control over the Association by appointing or removing the Board without the necessity of a vote or meeting of members, appointing or removing the officers of the Association, appointing or removing the members of the Design Review Committee and amending this Declaration subject to the provisions hereof.

Section 2.4 Board. The affairs of the Association shall be conducted by the Board and such officers and committees as the Board may elect or appoint in accordance with this Declaration or the Articles and Bylaws. The Board shall consist of not less than three (3) members and not more than seven (7) members, but never an even number, who shall be elected at each annual meeting of the Members of the Association or at any special meeting of the Members of the Association called for such purpose, all as more particularly set forth in the Articles and Bylaws.

Members of the Board who are appointed by Declarant pursuant to the reserved rights of the Declarant hereunder do not have to be owners; however, all members of the Board elected after Declarant has relinquished its right of appointment shall be owners (or the spouses of owners, or if an owner is a corporation, partnership or trust, an officer, director, partner, agent, trustee or beneficiary) unless a sufficient number of owners (or related persons as described in the foregoing parenthetical) are unable or unwilling to serve as directors, in which event individuals who are not Owners (or related persons) may be elected as directors.

Section 2.5 Suspension of Voting Rights. In the event any owner shall be in arrears in the payment of any amount due under any of the provisions of this Declaration for a period of fifteen (15) days after the date specified on the billing therefor, or shall be in default in the performance of any of the terms of the Declaration for a period of fifteen (15) days after notice from the Association thereof, said owner's right to vote as a Member of the Association, if any such right exists, shall be automatically suspended and shall remain suspended until all payments are brought current and all defaults cured.

Section 2.6 Association Rule. Subject to the provision of this Declaration, the Board may adopt, amend and repeal rules and regulations (as amended from time to time, the "Association Rules"). The Association Rules may restrict and govern the use of any area or Common Areas by any Owner or by any family members, guests, invitees, licensees or lessees

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of such owner; provided, however, that the Association Rules may not discriminate among owners and shall not be inconsistent with this Declaration, the Articles or the Bylaws.

Without limiting the generality of the foregoing, the Association Rules may establish and fix fines to be levied for failure to comply with this Declaration or the Association Rules, and any fines so levied shall constitute Individual Assessments hereunder subject to the Assessment Lien. Any such fine shall only be imposed after the offending Owner has been given written notice of the default in question, and has further been given an opportunity to meet with the directors, or their representative, to discuss the matter in question. No fine shall exceed \$100.00 for any single infraction, except that a continuing violation shall be subject to additional incremental fines of \$100.00 to \$200.00 (depending upon the Board's evaluation of the seriousness of the violation) for each thirty days the violation continues, and interest at the Default Rate shall accrue thereon.

A copy of the Association Rules, as they may from time to time be adopted, amended or repealed, shall be available for inspection by the Members at reasonable times. Upon adoption, the Association Rules shall have the same force and effect as if they were set forth in and were a part of this Declaration.

In no case may the Design Guidelines be amended by the Board or without the Declarant's consent while Declarant has retained the right to appoint the members of the Design Review Committee.

Section 2.7 Availability of Property Documents. The Association shall maintain current copies of this Declaration, the Articles, Bylaws, Association Rules, Design Guidelines, if any, the Association's own books, records, and income and expense reports available for inspection during normal business hours by an owner or any holder of a first mortgage or deed of trust on any Lot.

ARTICLE III COMMON AREA PROPERTY RIGHTS

Section 3.1 Perpetual Easement. Declarant hereby grants to the Association, and to each and every Member thereof, a nonexclusive perpetual easement of use and enjoyment in and to the Common Areas, which easement is appurtenant to and shall run with the title to each and every Lot for the mutual benefit and protection of all owners of the Lots. Such right and easement of use and enjoyment shall nevertheless be subject to the Association Rules.

Except as otherwise provided herein, no use or disturbance of any of the Common Areas shall be made, other than for ingress and egress over streets and roads constructed within the Properties and approved by the Association or Design Review Committee, for the installation and maintenance by each Owner of residential address monument signs, for utilities and private sewer facilities subject to the provisions hereof.

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Section 3.2 Delegation of Use. Any Member may delegate, in accordance with the Association Rules, his right of enjoyment of the Common Areas and facilities to the members of his family, his tenants, guests or contract purchasers who reside in his Residence. However, if an Owner has leased or rented his Residence, the Owner members of the owner's family, owner's guests, employees, and invitees shall not be entitled to use and enjoy any of such rights in the Common Areas while the Owner's Residence is occupied by the tenant. Instead, the tenant, while occupying such Residence, shall be entitled to use and enjoy such rights, and can delegate the rights of use and enjoyment in the same manner as if such tenant were an owner during the period of his occupancy. Each Owner or tenant shall notify the Association in writing of the names of all persons to whom such Owner or tenant has delegated any rights of use and enjoyment and the relationship that each such person bears to the Owner or tenant.

Any delegated rights of use and enjoyment are subject to suspension to the same extent as are the rights of Owners. No such delegation shall relieve an owner from liability to the Association or to other owners for payment of Assessments or performance of the provisions contained in this Declaration.

Section 3.3 Title to Common Areas. At such time as improvements to the Common Areas have been completed and the Association has been formed and is able to operate and maintain the Common Areas, Declarant shall convey title to the Common Areas to the Association. The method of conveyance shall be by Deed and Declarant shall not be required to purchase a title insurance policy upon transfer.

Section 3.4 Rights of the Association and Declarant Relating to Common Area. The Common Areas and the rights of the Members therein shall at all times be subject to:

(a) The right of the Association, in accordance with its Articles and Bylaws, to borrow money for the purpose of improving the Common Area and, with written consent of the Members entitled to vote two-thirds (2/3) of the votes of each class of Membership, to mortgage said property as security for any such loan;

(b) The right of the Association to take such steps as are reasonably necessary to protect the Common Area against foreclosure;

(c) The right of the Association to promulgate and publish rules and regulations with which each Member shall strictly comply;

(d) The right of the Association, as provided herein or in its Articles and Bylaws, to levy reasonable monetary fines and to suspend a Member's voting rights and the right to the use of recreational facilities within the Common Area for any period during which any assessment against his Lot remains unpaid and, for a period not to exceed sixty (60) days, for any infraction of its published rules and regulations;

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(e) The right of the Association with the written consent of the Declarant to dedicate or transfer all or any part of the Common Areas to any public agency, authority or utility for such purposes and subject to such conditions as it may determine, provided that after the occurrence of the Turnover Date, any such dedication must be approved with the written consent of the Members entitled to vote two-thirds (2/3) of the votes of each class of Membership.

Notwithstanding the foregoing, the granting of permits, licenses, and easements for roads, ingress and egress or for public utilities and/or for other purposes, including purposes deemed proper by the Board, shall not be deemed a transfer within the meaning of this Subsection (e) and, provided further, that this provision in no way limits Declarant's reserved rights hereunder;

(f) The right of the Association, without any abatement of assessments, to close or limit the use of the Common Area while maintaining, repairing, and making replacements in the Common Area;

(g) Easements for ingress, egress and utilities reserved hereby, and including any easements necessary to be granted to Owners of Lots having access across Common Areas;

(h) The right of the Association to sell and convey all or part of the Common Area, provided that after the occurrence of the Turnover Date, any such dedication must be approved with the written consent of the Members entitled to vote two-thirds (2/3) of the votes of each class of Membership, and provided that the Association Board determines that the transfer is consistent with the general scheme of development of the Properties.

Notwithstanding the foregoing, and without limitation, the Association may transfer or quit-claim minor or insignificant portions of the Common Area necessitated by incidental construction encroachments or scrivener's error without any vote or consent of the Members.

ARTICLE IV RESIDENCE CONSTRUCTION, ARCHITECTURAL CONTROL

Section 4.1 Residence Construction. Each Owner, by acceptance of a deed to any Lot, acknowledges and agrees that neither Declarant nor its members, agents, partners, representatives nor employees shall have any responsibility, obligation or liability whatsoever relating in any way to or arising out of the construction of Improvements, Structures or Residences upon the Properties or upon any Lot. Such matters, and any liability relating thereto, shall be solely between the Owner and the contractor.

Section 4.2 Building Envelopes. All improvements within a Lot, other than areas disturbed for purposes of ingress, egress and utilities, as approved by the Design Review

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Committee, must be constructed within the Building Envelope within that Lot. All Lots shall have Building Envelopes, and the size of the Building Envelopes will vary. The location and size of each Building Envelope shall be set or amended from time to time by the Design Review Committee in its sole discretion and each Owner prior to constructing any improvements or structures on the Owner's Lot must obtain the location and size of the applicable Building Envelope from the Design Review Committee. No portions of any Lot outside the designated Building Envelope shall be disturbed without the written approval of the Design Review Committee.

Section 4.3 Architectural Control. No improvements alterations, repairs, excavations, grading, landscaping or other work which in any way alters the exterior appearance of the Properties or a Lot, or the Improvements or Structures thereon, from its natural or improved state shall be made or done without the prior approval, in writing, of the Design Review Committee. No building, wall, fence, yard, ornament or decoration or other Improvement or Structure of any nature whatsoever shall be commenced, erected, improved, altered, placed or made on the Properties or any Lot without prior written consent of the Design Review Committee.

No changes or deviations in or from the plans and specifications, once approved by the Design Review Committee, may be made without the prior written approval of the Design Review Committee, and all construction must be completed in accordance with the approved plans and specifications.

Notwithstanding the foregoing, Declarant shall not be required to obtain Design Review Committee approval with respect to the building of homes, or any Improvements, alterations, repairs, excavations, grading, landscaping, additions or changes installed or made, or later altered, changed or modified, by Declarant with respect to any portion the Properties.

The Design Review Committee shall have the right to deny approval of any plans or specifications which are not, in its opinion, suitable or desirable for aesthetic or any other reasons, and shall have the right to take into consideration the harmony and conformity of the proposed improvements with the surrounding buildings, the materials to be used and the compatibility of the same with the surrounding area, and the effect of such proposed Improvements as seen from adjacent or neighboring properties. All decisions of the Design Review Committee shall be final, and no Owner or other parties shall have recourse against the Design Review Committee for its refusal to approve any such plans and specifications. All structural improvements must also be in conformance with any applicable building code requirements. All construction shall be prosecuted diligently from commencement until completion.

Approval of the plans, specifications, or other complete and conforming submittal shall be evidenced, if at all, by the written endorsement of the Design Review Committee made on the plans and specifications, or by letter or other written approval. No changes or deviations in or from the plans and specifications shall be made without the written approval of the Design

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Review Committee. After construction is completed, no further change, including any change of exterior color, shall be made without the written permission of the Design Review Committee.

Section 4.4 Construction. Alteration and Modification Discretion of Design Review Committee. In reviewing plans for construction, alteration, modification, addition or other changes to an Improvement or Structure upon a Lot, the Design Review Committee shall exercise its discretion in deciding whether or not an alteration or modification is in harmony with the overall scheme of subdivision development. The Design Review Committee shall have the right to deny alterations or modifications for aesthetic reasons if the Design Review Committee considers the alteration or modification to be unattractive in relation to the overall scheme of development, or if the Committee considers the alteration or modification to be a nuisance or upset of design, or if the Design Review Committee considers the alteration or modification to be in contrast to or out of harmony with the style of existing structures, or if the physical views of the Properties will be disrupted by the alteration or modification. The Design Review Committee may elicit the opinion of other Owners, including the neighbors of the Owner submitting the plan for alteration or modification, as to the conformity and harmony of the proposed plan with the overall scheme of development, and the effect that the proposed plan might have on the physical views of other Owners. After eliciting these opinions, the Design Review Committee may, but need not take them into account in making its final decision of approval or disapproval of an alteration or modification to an existing structure. While the opinion of no single Lot Owner will control a decision of the Design Review Committee, within its own discretion, the Design Review Committee may, but need not attach whatever significance it deems sufficient to the statements of residents and/or neighbors of the resident submitting the proposed construction, alteration or modification to a Residence, Improvement or Structure.

Section 4.5 Organization. Power of Appointment and Removal of Design Review Committee Members. The Association shall establish a Design Review Committee to perform the functions set forth in this Declaration with respect to architectural control and other controls contained in the Design Guidelines. The Design Review Committee shall be organized as follows:

(a) Committee Composition. The Design Review Committee shall consist of three (3) members and two (2) alternate members. None such members shall be required to be an architect or to meet any other particular qualifications for membership. The Design Review Committee may employ a consulting architect initially designated by Declarant. A member need not be, but may be, a member of the Board or an officer of the Association. In the event one or two of the regular members are absent or disabled, the remaining Design Review Committee member or members, even though less than a quorum, may designate either or both of the alternate members to act as substitutes and such alternates shall then assume the full authority of regular members for that meeting. The consulting architect shall have no voting rights on the committee, and the members of the committee (but not the consulting architect) shall serve without compensation.

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(b) Initial Members. The initial members and alternates of the Design Review Committee shall be appointed by the Declarant..

(c) Terms of Office. The term of office for each Design Review Committee member shall be two (2) years or until the appointment of a successor. Any new member appointed to a member who has resigned or been removed shall serve such member's unexpired term. Any member who has resigned, been removed or whose term has expired may be reappointed if such member accepts reappointment.

(d) Appointment and Removal. The right to appoint and remove members of the Design Review Committee at any time so long as Declarant owns a single Lot shall be and is hereby vested solely in the Declarant or its nominee. Notwithstanding the foregoing, Declarant may at any time relinquish the right to appoint and remove members of the Design Review Committee by so notifying the Association in writing. Upon such early relinquishment by Declarant of its right to appoint the members of the Design Review Committee, the Board shall then have the power to appoint and remove Design Review Committee members; provided, however, that no member may be removed from the Design Review Committee by the Board except by a majority vote of all members of the Board. Appointments or removals of members of the Design Review Committee, as set forth herein, shall be evidenced on the books and records of the Association.

It is understood that Declarant reserves the exclusive right to appoint or remove the members of the Design Review Committee until Declarant no longer owns a single Lot within the Properties.

(e) Resignations. Any member of the Design Review Committee may at any time resign from said committee by giving written notice to Declarant or to the Board, whichever then has the right to appoint Design Review Committee members.

Section 4.6 Duties. It shall be the right and duty of the Design Review Committee (and not the Board) to consider and act upon any and all proposals or plans submitted to it pursuant to the terms hereof and of the Design Guidelines, to adopt Design Review Committee Rules, to perform other duties delegated to it by the Board and to carry out all other duties imposed upon it by this Declaration. Without in any way limiting the generality of the foregoing provisions of this Section, the Design Review Committee or any member thereof may, but is not required to, consult with or hear the of the Association or any Owner with respect to any plans, drawings, specifications or other proposals submitted to the Design Review Committee.

Section 4.7 Meetings. The Design Review Committee shall meet from time to time as necessary to perform its duties hereunder, shall appoint a committee chairman, and shall prepare Minutes of Meetings for inclusion in the Association Minute Book. The vote of any two members at a meeting shall constitute the act of the Design Review Committee unless the

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unanimous decision of the Design Review Committee is otherwise required.

Section 4.8 Design Review Committee Rules. The Design Review Committee may, but is not required to, interpret and implement this Declaration by setting forth the standards and procedures for design review, architectural design, landscaping, color schemes, exterior finishes and materials and similar features which are recommended or required for use within the Properties (the Design Guidelines). The Design Guidelines, if any are adopted, may not conflict with the provisions hereof. The Design Guidelines shall at all times be a part of the Association's records, are hereby incorporated herein, and shall be deemed to be a part of this Declaration and shall be binding on all Owners, Members or other persons as if expressly set forth herein. The Design Guidelines may be amended from time to time, and it is the responsibility of each owner or other person to obtain a copy of the most recently revised compilation of the Design Guidelines.

The Design Review Committee may establish and further define the content of a full and complete design submittal for Improvements, Structures, and other matters within the jurisdiction and purview of the Design Review Committee. In cases involving Improvements or Structures deemed by the Design Review Committee to be of a minor nature, a design submittal may consist of less than full plans and specifications.

Section 9. Waiver. The approval by the Design Review Committee of any plans, drawings or specifications for any work done or proposed, or of any other matter requiring the approval of the Design Review Committee under this Declaration, shall not be deemed to constitute a waiver of any right to withhold approval of any similar plan, drawing, specification or matter subsequently submitted for approval.

Section 10. Liability. Neither the Design Review Committee, nor Declarant, nor any member thereof shall be liable to the Association, any Owner or any other party, for any damage, loss or prejudice suffered or claimed on account of (a) the approval or disapproval of any plans, drawings or specifications, whether or not defective, or the inspection or failure thereof of any aspect of construction; (b) the construction or performance of any work, whether or not pursuant to approved plans, drawings and specifications; (c) the development or non=development of any portion of the Property; or (d) the execution and filing of any, estoppel certificate, whether or not the facts therein are correct; provided, however, that with respect to the liability of a Member, such Member has acted in good faith on the basis of such information as may be possessed by him.

Section 4.9 Time for Approval. Subject to the other provisions contained herein, in the event the Design Review Committee fails to approve or disapprove any design and location within thirty (30) business days after said plans and specifications have been submitted to it (or within such later time as the Association may establish by the Design Guidelines), approval will not be required and the Owner will have been deemed to have complied with this Article. Notwithstanding the foregoing, in the event the Design Review Committee shall notify the requesting owner within such time period that it is necessary to obtain independent advice from

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a licensed architect, professional designer, or other construction or engineering consultant, then, the time period for approval or disapproval of said plant. and specifications shall be extended to the date that is thirty (30) days after the date that such advice is obtained following submittal of such plans and specifications.

Section 4.10 Processing Fee. With respect to any requests made to the Design Review Committee to review any plans, drawings or specifications for any work done or proposed, the Design Review Committee may, consistent with the Design Guidelines, establish processing fees for such requests or actions. The payment of such fees shall be a condition precedent to any Design Review Committee action on such request or other item, and the nonpayment of such Fee shall be deemed to toll the time for approval of such items.

Section 4.11 Indemnification. To the fullest extent permitted by law, every director and officer of the Association, every member of the Design Review Committee, and Declarant and its members, agents, employees, and representatives (to the extent a claim may be brought by reason of any matter having to do with the Board or, the Design Review Committee) shall be indemnified by the Association, and every other person serving as an employee or direct agent of the Association, or on behalf of the Association as a member of a committee or otherwise, may, in the discretion of the Board, be indemnified by the Association, against all expenses and liabilities, including without limitation attorneys' fees, reasonably incurred by or imposed upon him in connection with any proceeding to which he may be a party, or in which he may become involved, by reason of his being or having served in such capacity on behalf of the Association (or in the case of Declarant by reason of having appointed, removed or controlled or failed to control members of the Board or the Design Review Committee), or any settlement thereof, whether or not he is a director, officer or member of the Design Review Committee or serving in such other specified capacity at the time such expenses are incurred, provided that the Board shall determine, in good faith, that such officer, director, member of the Design Review Committee or other person, or Declarant, did not act, fail to act, or refuse to act with gross negligence or fraudulent or criminal intent in the performance of, his duties. The foregoing rights of indemnification shall be in addition to and not exclusive of all other rights to which such persons may be entitled at law or otherwise.

Section 4.12 Non-Liability of Officials. To the fullest extent permitted by law, neither Declarant, the Board, the Design Review Committee or any other committees of the Association or any member thereof, nor any directors or officers of the Association or of Declarant, shall be liable to any Member, Owner, Occupant, the Association or any other Person for any damage, loss or prejudice suffered or claimed on account of any decision, approval or disapproval of drawings or specifications (whether or not defective), course of action, act, inaction, omission, error, negligence or the like made in good faith and which Declarant, the President, the Board, or such committees or persons reasonably believed to be within the scope of their respective duties.

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ARTICLE V
MAINTENANCE OF COMMON AREAS

Section 5.1 Maintenance by Association. The Association, or its duly delegated representative, shall:

- (a) maintain and otherwise manage all Common Areas including, but not limited to, the landscaping, parking areas; and open spaces and facilities, if any, located thereon;
- (b) place and maintain upon any Common Areas such signs and markers as the Board may deem appropriate for the proper identification, use and regulation thereof, subject to the approval of the Design Review Committee, except that all private address monuments and signs shall be maintained by the Owner thereof;
- (c) pay all electrical, Common Area water, gas, and other utility charges or fees for services furnished to the Common Areas as the same become due and payable;
- (d) maintain, and repair such easements as may exist outside the Properties which may be necessary for ingress, egress or utilities serving the Properties; and
- (e) do all such other and further acts which the Board deems necessary to maintain and preserve the Common Areas and the beauty thereof, in accordance with the general purposes specified in this Declaration;

In addition, and without limitation, the Association shall be responsible for

- (a) the maintenance of the common streets, roads, and sidewalks (if applicable) located within the Common Areas and entry way features and landscaping leading into the Properties, including decorative structures, walls, etc.;
- (b) the maintenance of the landscaped portions of the Common Areas and other areas to be maintained by the Association;
- (c) the operation, maintenance (including insurance) and, if necessary, the replacement, restoration or reconstruction of street signs, walls, fences, and other improvements originally constructed on the Common Areas;
- (d) the payment of ad valorem real estate taxes, assessments and other charges on those portions of the Common Areas owned by the Association;
- (e) the insurance of all improvements which the Association is obligated to maintain against damage by casualty with such companies and with such limits as the Association deems appropriate.

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(f) the hiring, firing, supervision and paying of employees and independent contractors, including, but not limited to, workmen, landscapers, attorneys, accountants, architects and contractors to carry out the obligations set forth herein,

(g) the maintenance of such liability insurance as the Association deems necessary to protect the Members and the Board of Directors of the Association from liability for conditions existing and events occurring on or about the Common Areas, including, but not limited to, errors and omissions insurance for the Board of Directors of the Association;

(h) the maintenance of workmen's compensation insurance for the employees, if any, of the Association;

(i) the purchase of all goods, supplies, labor and services reasonably necessary for the performance of the obligations set forth herein;

(j) the enforcement, in its sole discretion, of the provisions of this Declaration, including, but not limited to, the Use Restrictions provided for herein;

(k) the establishment and maintenance of such cash reserves as the Association in its sole discretion deems reasonably necessary for the maintenance and repair of the improvements for which it is responsible and for unforeseen contingencies;

(l) entering into of such agreements and the taking of such actions as are reasonably necessary and convenient for the accomplishment of the obligations set forth above and the operation and maintenance of the Common Areas and facilities located thereon.

(m) the maintenance upon any Common Areas, of such signs, and markers as the Board may deem appropriate for the proper identification, use and regulation thereof, subject to the approval of the Design Review Committee; and

(n) such other and further acts which the Board deems necessary to maintain and preserve the Common Areas, and the beauty thereof, in accordance with the general purposes specified in this Declaration.

Section 5.2 Real Property Taxes. Real property taxes, assessments and other governmental charges which are attributable to the Common Areas shall be the responsibility of the Association and shall be deemed a Common Expense.

Section 5.3 Maintenance of Streets. The Association, in its sole discretion, shall maintain and repair the private roads shown upon the Plat extending from the public roads to the boundaries of the individual Lots. Due to the limited nature of such roads, being solely for ingress and egress to specific Lots, each Owner acknowledges that care must be taken to avoid conditions upon any Lot, such as excessive drainage due to construction activity or the use of heavy construction or other vehicles, causing an undue burden upon the roads thereby justifying

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an individual assessment against the Owner or Owners in question.

ARTICLE VI OTHER MAINTENANCE

Section 6.1 Maintenance By Owners. Each owner shall be responsible for the upkeep and maintenance of the exterior and interior of such Owner's Dwelling Unit and for the upkeep of all other areas, features or parts of his Dwelling Unit.

All fixtures and equipment within a Lot, and all utilities, lines, pipes, wires, conduits, or systems shall be maintained and kept in repair by the Owner thereof. The Owner shall also have the responsibility to maintain and repair any appliances, such as air conditioning units, located on the exterior of his Residence. Termite and insect control shall be the responsibility of the Owner. An Owner shall not permit any act or work to be performed that will impair the structural soundness or integrity of the Residence or impair any easement or hereditament, nor do any act nor allow any condition to exist which will adversely affect the other Lots or their owners.

Section 6.2 Maintenance by Association. The Association shall have the right, but not the obligation, to assume certain maintenance responsibilities within the Project in addition to the maintenance responsibilities described elsewhere in this Declaration, as the Board may from time to time determine to be in the best interest of the Association and the Owners.

Section 6.3 Right of Association to Enter Upon Residences. In the event that any owner shall fail to maintain and repair his Residence or Lot as required by this Declaration, the Association, following thirty (30) days' notice to the Owner (except in emergency situations where such notice is not practical), in addition to all other remedies available, to it hereunder or by law or in equity, and without waiving any of its said alternative remedies, shall have the right, through its agents and employee-, to enter upon said Residence or Lot at any reasonable time and in any reasonable manner, and to repair, maintain, and restore same. Each owner, by acceptance of a deed for his Lot, hereby covenants and agrees to repay to the Association the cost thereof upon demand, and the Association may enforce collection of such amounts as provided herein below for the collection of Individual Assessments.

Section 6.4 Landscaping, Drainage and Maintenance of Lots. Each Owner shall be solely responsible for the maintenance and landscaping of all portions of his or her Lot. All Lots shall be maintained in a neat and natural manner, with preference given to the maintenance of all natural vegetation. Each Owner shall be solely responsible for all drainage patterns associated with each Lot, and each Owner shall maintain his or her Lot in a manner that will avoid harm or injury to adjacent Lots and Common Areas, including injury or damage due to erosion. Should an Owner fail to so maintain his or her Lot, the Association shall have an easement to enter upon the Lot for such purposes and may levy an Individual Assessment for the costs thereof.

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Notwithstanding the foregoing, the drainage courses within Lots 13, 14, 15, 17, 22, 23, 35, 37, 38, 46, 69 and 75, and within Tract B shall remain in their natural state, or remain functional if improved. No blockage, realignment, diversion, or construction within the drainage courses shall take place without the approval of the Association and the City of Sedona, City Engineer. Any realignment must be approved in accordance with applicable regulations and shall not be diverted to another drainage course which exits the Properties in another location unless all appropriate governmental approvals have first been obtained. The Association is responsible for the maintenance of Tract B drainage courses, and the owners of the respective aforementioned Lots shall be responsible for the maintenance of drainage courses therein. Such responsibility include but not be limited to cleaning, debris removal, trimming of vegetation, and silt and sedimentation removal to the extent necessary. Each owner shall be responsible for complying with all applicable drainage and flood plain regulations affecting each Lot, and title to each Lot is burdened, among other things, by certain easements, restrictions, and notes shown upon the Plat. Without limitation, title to a portion of Lots 5, 61, 70 and 74 is burdened by an easement for drainage and flooding in favor of the Association, and no improvements built upon said Lot is burdened, among other things, by certain easements, restrictions, and notes shown upon the Plat. Without limitation, title to a portion of Lots 5, 61, 70 and 74 is burdened by an easement for drainage and flooding in favor of the Association, and no improvement built upon said lot shall interfere with such easement. Each owner shall consider drainage courses in selecting building sites, and each owner is advised to consult with the Yavapai County Flood Control District.

Section 6.5 Sewer System. The Properties are served by a private sewer system in accordance with that certain development agreement recorded Docket 3143 Page 304 Yavapai County Records. The Association shall be solely responsible for all maintenance and repair of the said sewer system and shall indemnify and defend Declarant and its affiliates, successors and assigns from all liability relating in any way thereto. The Association assumes and agrees to pay and perform all liabilities and obligations set forth in said development agreement relating to said private sewer system. At such time, if ever, as the Properties may be connected to public sewer facilities, or at such time as the said private sewer system may be accepted by local municipal or county authorities (the "Public Authority"), the private system shall be abandoned by the Association and replaced by such public facilities as may be established and accepted. The Association, for and on behalf of all Owners and Members, shall deliver such quit claims, assignments, deeds, bills of sale, releases and other instruments as be required to effectuate such abandonment and assignment to the Public Authority. All cost of abandonment and assignment shall be borne by the Association.

ARTICLE VII

COVENANT FOR ASSESSMENTS

Section 7.1 Authority to Levy and Purpose for Assessments. Except as otherwise provided herein, the Board shall levy assessments against each Lot to collect the funds necessary to cover the costs and expenses incurred by the Association together with the adequate reserve funds determined by the Board, in its sole and absolute discretion, to be appropriate. The assessments levied by the Association shall be used for the purpose of promoting the recreation, health, safety and welfare of the Owners within the Project, enhancing the quality of life within

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the Protect and enhancing and protecting the value, desirability and attractiveness of the Project, including maintenance of all Common Areas and Lots, services and facilities insurance, taxes on the Common A. Areas or the Association's property, expenses of operation and management, and the discharge of the Association's duties under this Declaration and other agreements to which the Association. is a party,

Section 7.2 Creation of the Lien and Personal Obligation of Assessments. Each Owner of a Lot within the Project (other than Declarant), by acceptance of a deed or other conveyance, whether or not it shall be so expressed in any such deed or other conveyance, is deemed to covenant and agree to pay to the Association: Regular Assessments, Special Assessments and Individual Assessments (collectively, "Assessments"), such assessments to be fixed, established and collected from time to time as hereinafter provided. All assessments; together with interest thereon and costs of collection thereof, as hereinafter provided. shall be a charge on the land and shall be a continuing lien (the "Assessment Lien") upon the Lot against which each such assessment is made. Each such Assessment, together with such interest, costs and reasonable attorneys' fees incurred in the collection thereof, shall also be the personal obligation of the Owner of such Lot at the time when the assessment fell due. The personal obligation and liability of the Owner shall not be deemed to limit or discharge the charge against the land and the continuing lien upon the Lot against which such assessment is made. No Owner of a Lot may exempt himself from liability for the assessments by waiver of the use or enjoyment of the Common Areas or by the abandonment of his Lot.

Section 7.3 Regular Assessments. The amount and time of payment of Regular Assessments shall be determined by the Board after giving due consideration to the current maintenance costs and future needs of the Association. Not later than thirty (30) days prior to the beginning of each fiscal year, or as soon thereafter as the Board may determine, the Board shall prepare a budget containing an estimate of the total Common Expenses to be incurred for the forthcoming fiscal year and set the amount of the Regular Assessment for each Lot. The amount of the Regular Assessments. including reserves, if any, shall be in the sole discretion of the Board. Written notice of thr; Regular Assessments shall be sent to every Owner. Each Owner shall thereafter pay to the Association his Regular Assessment in such manner and such times or installments as is established by the Board. In the event the Board determines that the estimate of total charges for the current year is, or will become, inadequate to meet all Common Expenses for any reason, it shall immediately determine the approximate amount of such inadequacy, issue a supplemental estimate of the total Common Expenses and the revised Regular Assessments, and give written notice thereof to every Owner. If the Board determines that the amount collected or to be collected through Regular Assessments is in excess of the Association's needs for the current year and reserves appropriate for future needs, the Board, in its sole discretion, may refund to the owners who paid such Assessments all or a portion of such excess, reduce the amount of the Regular Assessments or abate collection of Regular Assessments as it deems appropriate. In no event shall a reduction in the amount of or abatement in the collection of Regular Assessments pursuant to this Section result in a quality of services diminished from those upon which the Common Expense budget was based.

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Section 7.4 Special Assessments. The Board shall have the right and power to levy a Special Assessment for the purpose of defraying in whole or in part the cost of the construction of additional common facilities and other capital improvements, the alteration, reconstruction, demolition or removal of existing common facilities and capital improvements, or for the purpose of defraying any other extraordinary expenses. Following the Turnover Date, any such Special Assessment the amount of which is equal to or greater than the amount of thirty percent (30%) of the total amount of the then current amount of the annual Regular Assessments for the Project. shall require ratification and approval by the affirmative vote of at least seventy-five percent (75%) of the Members present at a duly called meeting at which a quorum is present (in person or by proxy). The provisions of this Section are not intended to preclude or limit the assessment, collection or use of Regular Assessments for such purposes.

Section 7.5 Individual Assessments. If the need for maintenance or repair of any Common Area or other area of Association responsibility is caused through the willful or negligent act of any Owner, by his family, guests, invitees, licensees or lessees, or by any other person or resident using the Common Areas with the permission of the Owner, or is caused by special conditions of a Lot owned by a particular Owner, the cost of such maintenance or repairs shall be paid by the respective owner upon demand and shall constitute an Individual Assessment against such Owner and against each Lot owned by such owner and shall be secured by an Assessment Lien against each Lot owned by the owner. If any portion of any Dwelling Unit or Private Area is maintained so as to present a public or private nuisance or to substantially detract from the appearance or quality of the surrounding Lots, Common Areas, or other areas of the Property, or if any portion of a Dwelling Unit or Private Area is being used in a manner which violates this Declaration, or if the Owner of any Lot is failing to perform any of its obligations under this Declaration or to abide by any of the provisions of this Declaration, the Board may, by resolution, make a finding to such effect. The resolution of the Board shall specify the particular condition or conditions which exist and shall fix a reasonable period of time which the owner shall have to correct such condition or conditions (which period shall be no less than ten (10) days and no more than thirty (30) days after the Owner receives notice of the Board's action). Notice shall be given to the owner of the subject Lot that unless corrective action is taken within the time period fixed by the Board, the Board may cause such action to be taken at the Owner's cost or the Board may commence appropriate legal action, whether at law or in equity, to compel compliance with this Declaration. If, at the expiration of such period, the requisite corrective action has not been taken, the Board shall have the right to cause corrective action to be taken and/or to commence appropriate corrective legal action and all costs thereof, including court costs and attorneys' fees, shall bear interest from the date incurred until paid at the Default Rate and shall be an Individual Assessment against the offending Owner and against each Lot owned by the owner and shall be secured by an Assessment Lien against each Lot of the Owner.

Section 7.6 Certificate of Payment. The Association shall, upon demand, furnish to any Member a certificate in writing, signed by an officer or authorized agent of the Association,

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stating whether the Assessments on such Owner's Lot have been paid, the amount of delinquency, if any, and whether any other violations pursuant to this Declaration exist and the nature of such violations. A reasonable charge may be made by the Hoard for the issuance of these certificates. Such certificates shall be conclusive evidence of payment of the Assessment therein stated to have been paid.

Section 7.7 Date of Commencement of Regular Assessments. Except as otherwise provided herein, each Lot shall become subject to the assessment provisions of this Article VII as of the first day of the calendar month following the conveyance of the Lot by Declarant to another purchaser, and until the first full fiscal year of the Association following the sale of the first Lot by Declarant. the Association may prepare an interim budget and estimate and levy the necessary assessments required for the remainder of year in question.

Section 7.8 No Offsets. Assessments shall be payable in the amount specified by the notice of Assessment, and no offsets against such amount shall be permitted for any reasons including, without limitation, a claim that the Association is not properly exercising its duties and responsibilities under this Declaration.

Section 7.9 Delinquency. Any Assessment provided for in this Declaration which is not paid when due shall be delinquent. If any such Assessment is not paid within thirty (30) days after the delinquency date, a late charge of Ten Dollars (\$10.00) per month, or such other amount as the Hoard shall from time to time determine, shall be levied, and the Assessment shall bear interest from the date of delinquency at the Default Rate. The Association may, at its option, bring an action at law against the Owner personally obligated to pay the same and/or foreclose the Assessment Lien against the Lot in accordance with the then prevailing law of the State of Arizona relating to the foreclosure of liens upon real property. There shall be added to the amount of such Assessment any late charges, interest, recording fees, expenses and costs incurred in filing an Assessment Lien and in collecting the amounts due and the reasonable attorneys' fees incurred in connection with such collection efforts, regardless of whether or not a legal suit is commenced. Each Member vests in the Association or its agents the right and power to bring all actions at law or in equity or lien foreclosure remedies against, such Member for the collection of such delinquent assessments. The lien provided for in this section shall be in favor of the Association and shall be for the benefit of all other owners. Any action to foreclose the lien of any Assessment may be commenced and prosecuted in the same fashion as for the foreclosure of a mortgage pursuant to Arizona law. At any foreclosure sale of a Lot, the Association shall have the power to bid on such Lot at such foreclosure sale, using Association funds or funds borrowed for that purpose. and to acquire and hold, lease, mortgage and convey the same.

Section 7.10 Recorded Assessment Liens. With respect to any delinquent Assessment, the Association is legally authorized and the Owners hereby are deemed to have granted the right and irrevocably given consent for the Association to record a Notice of Assessment Lien in the Office of the Yavapai County Recorder, appropriately describing the Lot and the amount of the delinquent Assessments and other charges, to impose a lien of record against the Lot for the

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amounts specified therein. A copy of the Notice of Assessment Lien may, at the sole election of the Board, be posted on the affected Lot. Upon payment of all amounts due, including interest, late fees, fines, and attorneys fees, the Association shall record an appropriate satisfaction and release of the Assessment Lien. Each Owner, other than Declarant, by acceptance of a deed to any Lot, agrees that the Association and its employees, officers, agents, directors and all affiliates shall be absolutely immune from any and all liability relating in any way to the recording of a Notice of Assessment.

Section 7.11 Cumulative Remedies. The Assessment Lien and the rights to foreclosure thereunder shall be in addition to and not in substitution for all other rights and remedies which the Association and its assigns may have hereunder and at law or in equity, including a suit to recover a money judgment for unpaid Assessments.

Section 7.12 Exempt Property. The Common Areas and all property dedicated for public thoroughfares and utility services shall be exempt from the Assessments created herein; provided, however, in the event any change in ownership of any such property results in all or any part thereof becoming assessable in any year, such property shall be subject to assessment (prorated as of the date it becomes assessable) and shall be subject to all of the provisions herein relating to Assessments.

Section 7.13 Declarant's Exemption. Anything in this Declaration to the contrary notwithstanding, the Declarant shall not be liable for and shall not be required to pay Assessments of any nature upon Lots owned by Declarant, nor shall Declarant be obligated to pay or fund any reserves for the Association. Declarant shall not be liable for the payment of any assessments for any Lot that, having been previously sold to a purchaser, has been deeded back to the Declarant by foreclosure or deed in lieu of foreclosure.

Section 7.14 Uniform Rate of Assessment. Except for Lots owned by Declarant, Regular and Special Assessments shall be fixed at a uniform rate for each Lot, subject to the limited reduced Regular Assessment for Lots upon which construction has not commenced as provided herein.

(a) It is understood that at no time shall any Lots owned by Declarant be subject to Regular Assessments, Special Assessments, or Individual Assessments, nor any fines or other charges. Lots owned by Declarant are exempt from all assessments and charges of any nature.

(b) In consideration for Declarant's exemption from assessment, Declarant agrees that it shall pay, for any given assessment year in which Declarant has paid or contributed to the Association less than the applicable Regular Assessment for each Lot owned, the actual shortfall or deficiency, if any, in necessary ordinary operating revenue to pay current ordinary expenses for the operation and maintenance of the Association and Common Areas, but only up to the Regular Assessment for each such Lot owned. A shortfall or deficiency shall exist if current ordinary expenses of the Association are greater than the revenues of the Association

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from all sources for the assessment year in question. Declarant may at any time at its sole discretion elect to cease paying the shortfall or deficiency, if any, and to pay up to the applicable Regular Assessment for each Lot owned by Declarant instead.

Section 7.15 Subordination of Assessment Lien to First Mortgage or Deed of Trust; Priority of Assessment Lien. Any Assessment Lien of any nature shall be subordinate to any first mortgage or deed of trust on the affected Lot. The Assessment Lien shall also be subordinate to liens for taxes and other public charges which by applicable law are expressly made superior. Except as above provided, the priority of any Assessment Lien relates back to the date of recordation of this Declaration and each Assessment Lien shall be superior to any and all charges, liens or encumbrances which hereafter in any manner may arise or be imposed on any Lot. Sale or transfer of any Lot shall not affect the Assessment Lien unless the sale or transfer is pursuant to foreclosure of a first mortgage or first deed of trust or pursuant to any trustee's sale or any proceeding in lieu thereof. In that case, the purchaser at the mortgage foreclosure or deed of trust sale or any grantee taking by deed in lieu of foreclosure shall take the Lot and Improvements free of the Assessment Lien for all Assessments that have accrued up to the date of issuance of a sheriff's or trustee's deed or deed in lieu of foreclosure. Such purchaser or grantee, however, shall be liable for all Assessments and associated Assessment Liens accruing subsequent to the date of issuance of a sheriff's or trustee's deed or deed in lieu of foreclosure.

ARTICLE VIII CONDEMNATION

Section 8.1 Taking Defined. The term "taking" as used in this Article, shall mean condemnation by eminent domain or sale under threat of condemnation.

Section 8.2 Taking of Common Areas. In the event of a threatened taking of all or any portion of the Common Areas, the Members hereby appoint the Board members and such persons as the Board may delegate to represent all of the Members in connection with the taking. The Board shall in its sole discretion with respect to any awards being made in connection the taking and shall be entitled to make a voluntary sale to the condemnor in lieu of engaging in a condemnation action. Any awards received on account of the taking shall be paid the Association. In the event of a total taking, the Board may elect either to retain any award in the general funds of the Association for use in meeting the common Expenses or to refund to the owners of all of the Lots proportionately, including Declarant, all or a portion of such award.

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ARTICLE IX
INSURANCE

Section 9.1 Insurance obtained by Association. The Association shall, so long as such coverages are reasonably available, obtain a broad form public liability policy (of at least \$1,000,000 combined limits) and full replacement cost fire and extended coverage insurance (in amounts to be determined by the Board) covering all Common Areas and facilities and all damage or injury caused by the act or omission of the Association or any of its officers, directors, committee members or agents. Premiums for all such insurance shall be Common Expenses. In addition, the Board may obtain such other types of insurance as may be required or as the Board may deem appropriate to protect the Association, its property or the Owners, including, without limitation, worker's compensation insurance and directors' and officers' liability insurance for the directors, officers and committee members of the Association and for such other Association Members or employees as the Board may deem appropriate, with due consideration to all Association responsibilities.

Section 9.2 Restoration. In the event of damage or destruction by fire or other casualty to the Common non Areas or any property located thereon, the Association shall, upon receipt of the insurance proceeds, contract with a licensed contractor to rebuild or repair such damaged or destroyed property. All such insurance proceeds shall be deposited in the accounts of a bank or other financial institution which are insured by a federal government agency.

In event the insurance proceeds, together with uncommitted capital reserves of the Association are insufficient to pay all the costs of repairing and/or rebuilding such but equal at least seventy-five percent of the cost thereof, the Association shall levy a Special Assessment against all Owners to reconstruct and restore the same.

In the event the insurance proceeds, together with uncommitted capital reserves of the Association, equal less than seventy-five percent of the cost of reconstruction, restoration and repair of the Common Areas, the Association shall levy a Special Assessment against all Owners to reconstruct and repair same unless the holders of seventy-five percent of the votes of each class of members, at special meeting called for such purpose, determine not to repair and reconstruct the Common Areas. Notwithstanding the foregoing, a Special Assessment shall be levied if the Common Areas are necessary for ingress or egress, or for the safety of the Properties, and in all other cases any unrestored Common Areas shall be restored to a safe and clean condition.

Section 9.3 Insurance for Dwelling Units and Lots.

(a) All Owners shall at their own expense obtain insurance for their Dwelling Units and Lots, insuring against fire, accident and casualty, which insurance shall be in an amount sufficient to cover the full replacement cost of any repair or reconstruction work in the event of any such loss or losses.

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In the event of damage or destruction by fire or other casualty to any Dwelling Unit, Lot or other property covered by insurance written in the name of an individual owner, said owner shall, upon receipt of the insurance proceeds, contract to repair or rebuild such damaged or destroyed portions of the Dwelling Unit or Lot in a good workmanlike manner in conformance with the original plans and specifications of said Dwelling unit and Lot (except for changes thereto required by then current building codes). In the event such Owner refuses or fails to so repair and rebuild any and all such damage to the Dwelling Unit or Lot within thirty (30) days or such longer time as may be permitted by the Association, the Association, by and through its Board, may, and is hereby irrevocably authorized by such owner to, repair and rebuild any such Dwelling Unit or Lot in a good and workmanlike manner in conformance with the original plans and specifications for the Dwelling Unit and Lot. The Owner shall then, within ten (10) days following the owner's receipt of a written statement of the costs incurred from the Association, repay the Association the amount actually expended for such repairs. Said amounts shall bear interest at the Default Rate from the date due until paid. If such amounts are not repaid as provided for herein, said amounts shall constitute an Individual Assessment against said Owner's Lot and shall constitute an Assessment Lien until fully paid.

NOTWITHSTANDING ANY OTHER PROVISION OF THIS DECLARATION, PROPERTY DAMAGE INSURANCE COVERAGE ON INDIVIDUAL LOTS DWELLING UNITS, AND IMPROVEMENTS THEREON, SHALL BE THE SOLE RESPONSIBILITY OF EACH OWNER. EACH OWNER SHALL BE PERSONALLY LIABLE TO REPAIR, REBUILD AND RESTORE THE IMPROVEMENTS ON THE LOT AND SHALL EXPEND HIS PERSONAL FUNDS IF NECESSARY TO ACCOMPLISH SAME, AND THE ASSOCIATION SHALL HAVE A LIEN UPON THE LOT TO ASSURE COMPLIANCE WITH THE PROVISIONS HEREOF.

Section 9.4 Fidelity Bonds. The Association shall obtain fidelity coverage to the extent the same is reasonably available, against dishonest acts on the part of directors, officers, managers, trustees, agents, employees or volunteers responsible for handling funds belonging to or administered by the Association. The fidelity bond or insurance shall name the Association as the insured and shall be written to provide protection which is in no event less than the greater of: (i) one and one-half times the Association's estimated annual operating expenses and reserves or, (ii) the sum of three months' assessments on all Lots then within the Project plus the reserve funds held by the Association. In connection with such coverage, an appropriate endorsement to the policy to cover any person who serves without compensation shall be added if the policy should not otherwise cover volunteers.

Section 9.5 Policy Requirements. The insurance policies purchased by the Association shall, to the extent possible, contain the following provisions:

(a) The coverage afforded by such policies shall not be brought into contribution or proration with any insurance which may be purchased by owners or first mortgagees;

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(b) The conduct of any one or more Owners shall not constitute grounds for avoiding liability on any such policies;

(c) There shall be no subrogation with respect to the Association, its agents or employees, Owners and members of their household and their employees, and each mortgagee of all or any part of the Property or of any Dwelling Unit or Lot, or the policy(ies) should name said persons as additional insureds and each policy must contain a waiver of any defenses based on coinsurance or on invalidity arising from the acts of the insured;

(d) A "severability of interest" endorsement shall be obtained which shall preclude the insurer from denying the claim of an Owner because of negligent acts of the Association or other Owners;

(e) For policies of hazard insurance, a standard mortgagee clause shall provide that the insurance carrier shall notify the first mortgagee named at least thirty (30) days in advance of the effective date of any reduction in or cancellation of the policy;

(f) Any "no other insurance" clause shall exclude insurance purchased by owners or first mortgagees;

(g) Coverage must not be prejudiced by (i) any act or neglect of owners when such act or neglect is not within the control of the Association or (ii) any failure of the Association regarding any portion of the property over which the Association has no control; and

(h) Coverage may not be canceled or substantially modified without at least 30 days' prior written notice to any and all insureds including first mortgagees their successors and assigns.

Section 9.6 Arbitration. In the event of a dispute between an Owner and the Association with respect to the cause of damage, the extent of repairs necessitated, the cost thereof or the responsibility for the repairs or replacements necessitated thereby, then upon written request of either party addressed to the other party, the matter shall be submitted to arbitration under such rules as may from time to time be adopted by the Association or the Board. If no such rules have been adopted, then the matter shall be submitted to three arbitrators, one chosen by the Board, one chosen by the owner, and those two arbitrators shall then choose a third arbitrator. If the two arbitrators cannot agree as to the selection of the third arbitrator, then the third arbitrator shall be chosen by any Judge of the Superior Court of Yavapai County, Arizona. A determination by any two of the arbitrators shall be binding upon the owner and the Association. The prevailing party in the arbitration proceedings shall be entitled to be reimbursed for all of its costs, including reasonable attorneys' fees associated with the proceedings, from the losing party, and the losing party shall bear the entire cost and expense of the arbitration proceedings. In the event one party fails to choose an arbitrator within ten (10) days after receipt of a request in writing for arbitration from the other party, then said other party shall have the right and power to choose both arbitrators.

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ARTICLE X
USE RESTRICTIONS

Section 10.1 Lot Restrictions, Lighting, Window Coverings, Roofline Restrictions, Dwelling Unit Size, Etc. Each separate Lot shall be limited in use to one single family Dwelling Unit, the height and size of which shall conform to the Design Guidelines incorporated herein by reference, as from time to time amended by the Design Review Committee. Without limitation, mobile homes, prefabricated and manufactured housing shall be strictly prohibited within the Properties.

No structure or other improvement or landscaping or alteration of any kind shall be made, placed, or constructed within the slope and drainage easements shown on the Plat except as approved by the Association or the Design Review Committee.

All buildings or structures erected upon each Lot shall be of new construction and no buildings or structures shall be moved from other locations onto a Lot, Roof mounted air-conditioning equipment, utilities, solar improvements and other roof mounted equipment, except as otherwise provided herein. shall be prohibited.

All landscaping within a Lot shall be completed within such time as may be established by the Design Review Committee or Crimson View Design Guidelines , if any.

Section 10.2 Temporary Structures. No structures of a temporary character, trailer, basement, tent, shack, barn or outbuilding shall be constructed, erected, placed or used on any portion of the Property at any time for any purpose whatsoever, either temporarily or permanently. Notwithstanding the foregoing, a contractor may, to the extent, reasonably necessary, place and properly maintain a portable, temporary toilet facility on any Lot during the construction of a Dwelling Unit thereon; provided, however, that such facility shall be placed in the least obtrusive location on the respective Lot, taking into account the grading of the Lot and the visibility thereof to other Lots and other areas within the Project, and provided further that such facility shall only be maintained on the respective Lot for such time as is reasonably necessary to complete the construction of the Dwelling Unit and Improvements.

Section 10.3 Declarant's Use of Clubhouse, Lots Common Areas, Etc. Notwithstanding any provisions herein contained to the contrary, it shall be expressly permissible for the Declarant to maintain, during the period of sale of Lots, upon such portion of the Property as the Declarant or its duly authorized agents, successors, or assigns may authorize, including, without limitation, within any clubhouse or similar facility or upon any other portion of the Common Areas or Lots owned by Declarant, one or more temporary offices, convenient or incidental to the construction and sale of the Lots, sales and administrative offices, parking areas and related improvements.

Section 10.4 Animals. No cattle, sheep, goats,, pigs, rabbits, poultry or other livestock

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shall be bred, raised or kept on the Properties, nor shall dogs, cats or other animals be kept in kennels or similar enclosures on the Properties. This restriction shall not be construed, however, as prohibiting the keeping of ordinary domestic pets as long as such pets are kept confined in the single-family residence and Private Area. When domestic pets, which are allowed to be kept on the Properties, are taken out of an Owner's residence or Private Area, the domestic pet(s) shall be on a leash and the Owner shall be required to pick up immediately any animal feces. No animals may be kept for commercial purposes, and in no event may any Owner maintain more than the number of pets than is permitted by the Association Rules or Design Guidelines.

Section 10.5 Exterior Storage and Trash. Each Lot or Residence shall have a sufficient number of lidded garbage containers in such size, shape and quantity as may be prescribed by the Board from time to time or as may be required by any governmental entity providing rubbish removal services, which containers shall be kept in a clean and sanitary condition and shall be screened from view at all times. To the extent feasible, all rubbish, trash or garbage shall be kept in such containers and shall not be allowed to accumulate on the Properties. Rubbish, garbage or trash not capable of being kept in said containers shall be kept in other appropriate containers and screened from view of neighboring Lots and streets until the date of pickup by a trash collection service. No rubbish, trash or garbage shall be burned on the Properties. Incinerators of every kind are prohibited. Fees for trash removal shall be the responsibility of the individual Owners and not of the Association, although the Association shall have the right to elect the trash collection service to be used by all Owners and shall have the right to collect such fees in its discretion.

Section 10.6 Utilities. Gas, electric, power, telephone, water, sewer, cable television and other utility or service lines (used for the general benefit of the Dwelling Unit owners) and other utility type wires or lines now or hereafter invented or used shall be placed and kept underground up to the walls of the buildings on the Properties (except to the extent, if any, such underground placement may be prohibited by law or, by the nature of the service to be rendered, such underground placement prevents the lines from being functional). This restriction shall apply to the service and utility lines for each and every Dwelling Unit, Lot and the Common Areas, as well as to the distribution lines located in the streets or elsewhere within the Properties. However, the foregoing shall not prohibit service pedestals and above ground switch cabinets and transformers, which may be required.

Section 10.7 Antennas and Flagpoles. No exterior antennas, microwave reception device, satellite dish stations, or other devices for the transmission or reception of television or radio signals, or flagpoles or appurtenances for same, shall be erected or maintained on any Lot unless approved in writing by the Design Review Committee, which approval may be subject to specific standards and conditions, and may require that such improvements be screened and not Visible from Neighboring Property.

Section 10.8 Signs. No sign of any nature whatsoever, whether permanent or temporary, shall be permitted on any Lot except that one temporary construction sign may be

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erected per Lot during the development thereof and except for such addressing signs as may be permitted or required by the Design Review Committee or the provisions of the Design Guidelines, if any. This restriction shall not prohibit the temporary placement upon any Lot or Residence of building or other permits as may be required to be placed upon such Residence or Lot during the period of construction of any Improvements thereon by any applicable governmental agency. This paragraph shall not apply to Declarant, nor to any activity of Declarant incidental to the development or improvement of the Properties, nor to any activities of Declarant incident to the marketing and sale of Lots, nor shall it apply to the activities of the Association taken in the furtherance of its powers and purposes as herein set forth. In addition, the Board may prescribe rules relating to the placement of "For Sale" signs upon the Properties, provided that Declarant consents to such rules.

Section 10.9 Basketball Hoops. Basketball backboards may be permitted, but only in the discretion of the Design Review Committee.

Section 10.10 Rental. No portion of a Dwelling Unit or Lot may be rented, other than the entire Dwelling Unit, and then only to a single family and for periods of time not less than thirty days. Any Lessees will abide by the Restrictions set forth in this Declaration and any rules promulgated by the Board.

Any lease or rental agreement entered into between an Owner and a tenant of a Residence shall require compliance by the tenant with all of the provisions contained in this Declaration, which provision shall be for the express benefit of the Association and each owner. The Association and each owner shall have a right of action directly against any tenant of an Owner, as well as against the Owner, for non-performance of any of the provisions of this Declaration to the same extent that such right of action exists against such owner.

No Residence may be leased for a term less than thirty days, and not less than an entire Residence may be leased and occupied by any tenant. Each Owner shall notify the Association in writing of the names of any tenants of such Owner's Residence.

Section 10.11 Vehicle Parking.

A. General Rule. Any and all motor vehicles not prohibited by the provisions hereof shall be stored in a garage, with the garage door closed, so as to conceal the same from view from adjoining property or from the street or public way, except that vehicles (other than recreational vehicles, commercial vehicles, motorhomes, campers, trailers, boats and similar vehicles, as provided below) may be parked upon the paved driveway surfaces of each Lot, when there is insufficient room within an enclosed garage. No vehicles may be parked in the streets (whether private or public) or Common Area.

B. Recreational and Commercial Vehicles. Parking and/or storing of recreational vehicles, commercial vehicles, motorhomes, campers, trailers, boats and similar vehicles is prohibited on all portions of the Properties and any adjacent public streets or areas,

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except within the confines of an enclosed structure which has been first approved by the Design Review Committee, in its sole and absolute discretion, except that such vehicles may be parked on the parking area of an Owner's Lot for short periods of time solely for purposes of loading or unloading.

The foregoing prohibition shall not apply to (1) pick-up trucks with no more than a 3/4 ton capacity with camper shells attached that are no more than seven feet in height as measured from ground level; (2) mini-motorhomes that are no more than seven feet in height and no more than eighteen feet in length or (3) non-commercial pick-up trucks larger than 3/4 ton capacity that the Design Review Committee finds to be substantially similar in size and appearance to smaller vehicles; so long as any such vehicles are used on a regular and recurring basis for regular transportation and are parked in accordance with the provisions of Subsection A of this section.

C. Use of Recreational Vehicle as Living Quarters; Storage of Vehicles Under Repair. The use or occupancy of a recreational vehicle, motorhomes, van, camper, trailer, or boat as living quarters on either a temporary or permanent basis is strictly prohibited on any portion of the Properties and adjacent public streets or areas. At no time shall there be any outside storage of motor vehicles in stages of construction reconstruction, modification or rebuilding of parts of motor vehicles such as frame, bodies, engines or other parts or accessories.

Section 10.12 Conformity to Building Codes. All structural and design work shall be accomplished in accordance with the Uniform Building Code as adopted by the City of Sedona or other competent jurisdiction. To the extent applicable, electrical and mechanical work shall conform to all applicable local and national codes. All buildings, fences, ledges, improvements or appurtenances or other structures of any nature shall be in compliance with the setback requirements of the City of Sedona or other competent jurisdiction, including but not limited to, the front, side and rear setbacks; the same must be approved by the Design Review Committee before the commencement of any construction.

Section 10.13 Screening. Mechanical and electrical equipment to be installed by an Owner shall, within reason, be concealed from the view of any adjoining street front or Lot. Included within this restriction are air conditioning, evaporative coolers and pool pump or heating equipment. No such equipment shall be permitted to remain exposed at the side or rear of any Lot unless reasonably concealed by planting or fence.

Section 10.14 No Business Use. No business use shall be made of any Lot, and no building or structure intended for or adapted to business purpose, and no apartment house, duplex, lodging house, rooming house, hospital, sanitarium or doctor's office, multiple family dwelling or other similar structure or use shall be erected, placed, permitted or maintained on Properties on any part thereof. No Lot may be rented for a hotel or transient purpose, which shall be construed to mean for a period of less than thirty (30) days, nor shall any lot be rented to other than a single family. The foregoing restrictions shall not apply to business activities

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or the construction and maintenance of buildings by the Declarant, its agents, successors and assigns during the construction period and sale of Lots by the Declarant, and provided further that the foregoing restrictions shall not apply to any actions of the Association in furtherance of its powers and purposes as herein set forth.

Occasional home occupations shall be permitted only if there is no solicitation to or from any Dwelling Unit, no traffic to or from any Dwelling, and no interference with the peaceful enjoyment of the Properties, and only if there is no advertisement or solicitation in connection therewith, no parking in the streets, and no noise, commotion, or external evidence of such activity. No religious or political activity shall be permitted in the Clubhouse. The Board shall be the sole judge of whether such activity poses a nuisance or creates a disturbance in violation of the provisions hereof.

Section 10.15 Other Buildings. No garage or other building or structure shall be erected, placed or maintained on any Lot until the construction and completion of the principal residence thereon, except that the necessary outbuildings, garage or other structures relating to the principal residence may be simultaneously constructed and nothing herein shall be construed to prevent the incorporation and construction of a garage in and as part of such residence. The Design Review Committee may require that any garages and other accessory buildings be incorporated as a part of and attached to the Dwelling Unit, in a manner approved by the Design Review Committee rather than located apart from the Dwelling Unit.

Section 10.15 Nuisances, Rubbish, Etc. No Lot shall be used in whole or part for the storage of rubbish of any character whatsoever nor for the storage of any property or thing that will cause such Lot to appear in an unclear or untidy condition or that will be obnoxious otherwise. No obnoxious or offensive activity shall be carried on, upon any Lot, nor shall anything be done, placed or stored thereon which may become an annoyance or nuisance to the neighborhood or occasion any noise or odor which will or might disturb the peace, quiet, comfort or serenity of the occupants of surrounding properties.

Every act or omission whereby any provision of this Declaration is violated in whole or in part is hereby declared to be a nuisance and may be enjoined or abated, whether or not the relief sought is for negative or affirmative action. Any violation of any State, county, municipal or local law, ordinance or regulation pertaining to the ownership, occupation or use of any portion of the Properties is hereby declared to be a violation of this Declaration and subject to any or all of the endorsement procedures set forth herein.

Section 10.17 Re-subdivisions. No Lot nor any portion of the Common Area shall be re-subdivided, except for the purpose of combining the re-subdivided portions with another adjoining Lot or portion of Common Area and, in any case, all such re-subdivisions shall be approved both by Declarant and by the Design Review Committee (and by the City of Sedona, if required). Provided, however, that Declarant does hereby reserve and shall have the power to re-subdivide all or any portion of the Lots, and all or any portion of the Common Areas, and shall have the right at its sole discretion, and without the necessity of any vote or approval of

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the Members or of the Association, to re-subdivide portions of the Common Area and to convey same as portions of adjacent Lots should Declarant believe that to do so is in the best interests of the aesthetics of the Properties due to special land features or topography, or for any other reason at the sole discretion of Declarant.

Section 10.18 Noise. No Owner shall engage in any activity or permit any activity to occur on the Properties which shall result in unusual, loud or obtrusive noise or sounds.

Section 10.19 Shrubs, Trees and Grasses. No shrubs, trees or obstructions of any kind shall be placed on corner Lots in such places as to cause a traffic hazard. All grass, trees and other vegetation planted in the Lot shall comply with local ordinances, shall have first been approved by the Design Review Committee, and shall be kept trimmed to a height which will not, in the sole judgment of the Design Review Committee, materially interfere with views from neighboring building sites. The Design Review Committee may forbid the planting or maintenance of certain plants, trees and shrubs or may restrict the propagation of such plants, trees or shrubs to native or indigenous species as provided in the Design Guidelines.

Section 10.20 Inoperable Vehicles and Commercial Vehicles. No inoperable, junk, or wrecked vehicles shall be placed on or stored on any Lot or Common Areas, nor shall any commercial, construction, or like vehicles (except those of the Declarant or its agents) be placed on or stored on any Lot or Common Areas, except as may be permitted by the Association, in writing, for limited periods of time.

Section 10.21 Drainage-Ways. No structure, planting or other material, except as installed by Declarant, shall be placed or permitted to remain within any drainage-way which may change the direction of flow or which may obstruct or retard the flow of water.

Section 10.22 Native Growth. The natural growth on the Properties shall not be destroyed or removed except by Declarant or as approved in writing by the Design Review Committee. In the event growth is removed, except as stated above, the Design Review Committee may require the replanting or replacement of same; the cost thereof to be borne by the Owner responsible for such removal.

Section 10.23 Derricks, Tanks, Heating and Cooling.

(a) No structure designed for use in boring for water, oil or natural gas shall be erected, placed or permitted upon any part of the Properties, nor shall any water, oil, natural gas, petroleum, asphaltum or hydrocarbon products or substances be produced or extracted therefrom.

(b) No elevated tanks of any kind shall be erected, placed or permitted upon any part of the Properties, and any tanks for use in connection with any Dwelling Unit on the Properties, including tanks for the storage of gas and fuel oil, gasoline or oil, must be buried or walled-in to conceal them from the neighborhood Lots, roads or streets.

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Section 10.24 Clotheslines. No clotheslines shall be visible within the Properties.

Section 10.25 Waivers. Any or all of the restrictions of this section are subject to waiver by the Design Review Committee, and any such waiver may apply at the option of the Design Review Committee to fewer than all of the Lots without waiver of such restriction as to any other Lot or Lots.

Section 10.26 Inspection. During reasonable hours, any member of the Board of Directors of the Association, or any authorized representative of any of them, shall have the right to enter upon and inspect any Lot within the subdivision (not including the interior of any Dwelling Units erected thereon) for the purpose of ascertaining whether or not the provisions of this Declaration have been or are being complied with, and such persons shall not be deemed guilty of trespass by reason of such entry.

Section 10.27 Exemption of Declarant. Nothing in this Declaration shall limit the right of Declarant or its agents to complete excavation, grading and construction of improvements on any Lot or Common Areas within the Properties, or to alter the foregoing or to construct such additional improvements as Declarant deems advisable so long as any Lot therein remains unsold, or to use any structure in the subdivision as a model home or real estate sales, administrative or leasing office. Declarant need not seek or obtain the approval of the Board of Directors of the Association or Design Review Committee for the installation of any improvements, including landscaping. The rights of Declarant hereunder or elsewhere in these Restrictions may be assigned.

The Declarant may designate certain Lots owned by it as "Models" and sales or administrative offices. The Declarant shall have the right to transfer the designation of a "Model" or sales and administrative offices from one Lot to another within the Properties, and Declarant may designate and use any Lot as a parking area or parking lot.

Section 10.28 Addresses and Mailboxes. Each Owner shall comply with street monument signage requirements adopted by the Design Review Committee, and all such monuments shall be uniform in design and appearance. No Owner shall maintain any mailbox on any Lot or on any portion of the Common Area; rather, the Association shall establish mailbox locations for the benefit of all Owners.

ARTICLE XI EASEMENTS

Section 11.1 Utility Easement. There is hereby created a blanket easement upon, across, over and under the Properties, including Common Area B, for ingress, egress, installation, replacing, repairing and maintaining all utility and service lines and systems, including, but not limited to, water, sewers, gas, telephone, electricity, television cable or communication lines and systems. By virtue of this easement, it shall be expressly permissible

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for the providing utility or service company to install and maintain facilities and equipment on the Property and, subject to the requirements of Article X, Sections 1 and 7, to affix and maintain wires and conduits in and under the roofs and exterior walls of the Dwelling Units. Notwithstanding anything to the contrary contained in this Section, no sewers, electrical lines, water lines or other utilities or service lines may be installed or relocated on the Properties except as approved by the Board, except that minor utility easements necessitated over and across Common Area B by reason of construction upon particular Lots and may be approved by the Architectural Committee. This easement shall in no way affect other recorded easements on the Property.

Section 11.2 Encroachment Easement. Each Lot and the Common Areas shall be subject to an easement for encroachments created by construction or placement of Improvements, including, without limitation, driveways and walkways, as designed or constructed by the Declarant or as constructed by or on behalf of any Owner as approved by the Board or the Design Review Committee. A valid easement for said encroachments and for the maintenance of the same is hereby created and shall continue, so long as such encroachments continue to exist.

Section 11. 3 Declarant Easement. There is hereby created an affirmative, nonexclusive easement in favor of Declarant, and appurtenant to portions of the Properties owned by Declarant for ingress and egress over all Common Areas, and for the right to go over, under and across, and to enter and remain upon all Common Areas, public streets, and other points of ingress and egress, for all purposes reasonably related to Declarant's rights and obligations hereunder and to the development, operation, maintenance, advertisement and sale or rental of the portions of the Properties owned by Declarant. The easement created in this Section shall continue until the day on which title to the last Lot in the Properties owned by Declarant is conveyed to a third party for value, other than as security for performance of an obligation.

Section 11.4 Re-vegetation and Restoration Easement. There are hereby created nonexclusive easements in favor of Declarant and the Association and their contractors and employees, but without obligation (a) to go upon any Lot which contains areas that prior to the date hereof were parts of roadways or paths that have been abandoned or are otherwise not in use, or that were cleared or partially cleared of vegetation in the past for some other reason, to grade, shape, level or fill said areas or portions thereof to restore them to a more natural appearing terrain, and to remove such earth or bring in such fill as Declarant or the Association deems appropriate to accomplish said restoration; and (b) to go upon any Lot to plant or seed, and to provide temporary maintenance for indigenous vegetation of Declarant's choice on any areas of the Lot in order to (i) replant areas that prior to the date hereof were parts of roadways or paths that have been abandoned or are otherwise not in use, or that were cleared or partially cleared of vegetation in the past for some other reason, or (ii) maintain the aesthetic integrity of the Properties; and to provide temporary water to such vegetation at the expense of Declarant or at the expense of the Owner, as an Individual Assessment, if the area was cleared by the Owner or Occupant of such Owner's Lot, or the invitee, guest, contractor, or other authorized visitor of either in violation of this Declaration or the Design Guidelines.

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Section 11.5 Miscellaneous Easements. In addition to the blanket easements granted in herein, the Association is authorized and empowered to grant upon, across or under real property owned or controlled by the Association such permits, licenses, easements and rights-of-way for sewer lines, water lines, underground conduits, storm drains, television cable and other similar public or private utility purposes, security lines, roadways or other purposes as may be reasonably necessary and appropriate for the orderly maintenance, preservation and enjoyment of the Common Areas or for the preservation of the health, safety, convenience and welfare of the Owners, provided that any damage to a Lot resulting from such grant shall be repaired by the Association at its expense.

ARTICLE XII GENERAL PROVISIONS

Section 12.1 Binding Effect and Enforcement. The covenants, conditions, charges, liens, reservations, easements, and restrictions contained herein shall run with the title to the land and shall be binding upon all persons purchasing, owning, leasing, subleasing or occupying or otherwise having any interest in any Lot, their heirs, personal representatives, administrators, successors, grantees and assigns. After the date on which this Declaration has been recorded, these restrictions may be enforced by any one or more of the following: (a) The Association, (b) the Declarant (so long as such entity has an interest in any part of the Property, (c) the Owner or owners of any Lot. The terms and conditions of this Declaration shall be binding upon all persons affected by its terms, regardless of whether any reference is made to this instrument in the deed or other instrument of conveyance. Enforcement shall be by proceedings at law or in equity against any person or persons violating or attempting to violate any Restrictions either to restrain, enjoin, or abate the violation or to recover damages. In the event the Declarant or the Association employs an attorney or attorneys to enforce any lien or to collect any moneys due pursuant to this Declaration, or to enforce compliance with or specific performance of the terms and conditions of this Declaration or otherwise seeks to enforce these restrictions, the Declarant or Association, as the case may be, shall be reimbursed by the Owner or owners whose actions have necessitated the enforcement proceeding for all costs including attorneys' fees, expended in such enforcement efforts, regardless of whether or not a civil action is actually commenced. The amount of such costs shall be assessed against such Owner or Owners as an Individual Assessment and each such Owner's Lot shall be subject to an Assessment lien upon all of said Owner's Lots, subject to the provisions of Article VII hereof. Nothing herein shall be deemed to indicate that damages at law constitute an adequate remedy for violation of a Restriction herein. Notwithstanding the foregoing, the violation of these Restrictions shall not affect the lien of any mortgage or deed of trust now or hereafter placed of record.

Section 12.2 Waiver or Abandonment. The waiver of, or failure to enforce any breach or violation of any Restriction herein contained shall not be deemed to be a waiver or abandonment of such Restrictions, or a waiver of the right to enforce any subsequent breach or violation of such Restrictions. The foregoing shall apply regardless of whether any person

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affected hereby (or having the right to enforce these Restrictions) had knowledge of the breach or violation.

Section 12.3 Equal Treatment of Owners. Except as otherwise expressly provided herein, these restrictions shall be applied to all Owners without discrimination.

Section 12.4 Severability. The invalidity of any one or more phrases, sentences, clauses, paragraphs, or sections hereof shall not affect the remaining portions of this instrument or any part thereof, and in the event that one or more of the phrases, sentences, clauses, paragraphs, or sections contained herein should be invalid or should operate to render this Declaration invalid, this Declaration shall be construed as if such invalid phrase or phrases, sentence or sentences, clause or clauses, paragraph or paragraphs, or section or sections had not been inserted.

Section 12.5 Gender. The singular, wherever used herein, shall be construed to mean the plural when applicable, and the necessary grammatical changes required to make the provisions hereof apply either to corporations, partnerships or individuals, men or women, shall in all cases be assumed as though in each case fully expressed.

Section 12.6 Topic Headings. The marginal or topical headings of the paragraphs contained in this Declaration are for convenience only and do not define, limit or construe the contents of the sections of this Declaration.

Section 12.7 Term. This Declaration, as from time to time amended, shall remain in full force and effect for a period of twenty (20) years from the date hereof. This Declaration shall be deemed automatically extended and renewed for successive terms of ten (10) years each unless revoked at any time after the expiration of the initial twenty year period by a written instrument signed and acknowledged by the then Owners of not less than three-fourths (3/4ths) of the Lots within the Properties, which instrument shall be recorded in the office of the Recorder of Yavapai County, Arizona.

Section 12.8 Amendment.

A. Amendment by Owners. This Declaration may be amended by the written consent of the then Owners (including Declarant) of not less than two-thirds (2/3) of the Lots within the Properties. During the first ten (10) years, any amendment shall also require the written consent of the Declarant, if Declarant then holds any interest in any portion of the Properties. Any such amendment without the consent of Declarant shall be void. Any amendment by the Owners shall be effective when executed by the President and Secretary of the Association, who shall certify that the Amendment was approved by the requisite number of Owners, and recorded in the office of the County Recorder of Yavapai County, Arizona.

B. Declarant's Right to Amend. Declarant hereby reserves the right to amend this Declaration as may be necessary or appropriate in its sole discretion at any time while

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Declarant owns at least ten Lots within the Properties. Any amendment or revocation which only requires the execution of an Instrument by Declarant as herein above provided shall be effective when executed by Declarant and when recorded in the office of the County Recorder of Yavapai County, Arizona. No amendment made by Declarant shall be deemed void or unenforceable merely because such amendment affected the Properties in a non-uniform manner. Should Declarant determine that such amendments are necessary or advisable, then no other consent or approval shall be required, and Declarant's determination that such amendment is proper shall be binding upon all Owners and members.

In addition, if Declarant shall determine that any amendments to this Declaration or any amendments to the Articles of Incorporation or Bylaws of the Association shall be necessary in order for existing or future mortgages, deeds of trust or other security instruments to be acceptable to the Veterans Administration, the Federal Housing Administration of the U.S. Department of Housing and Urban Development, the Government National Mortgage Association, the Federal National Mortgage Association, or the Federal Home Loan Mortgage Corporation, then Declarant shall have and hereby specifically reserves the right and power to make and execute any such amendments without obtaining the approval of any Owners, First Mortgagees, or any other person or entity.

Finally, Declarant shall have the right, without any vote or consent of members, to record such amendments to this Declaration as may be necessary to conform to any re-subdivision plat recorded with respect to the Properties, and shall further have the right to change the name of the subdivision.

Section 12.9 Personal Liability. No member of the Board, nor any committee of the Association, including the Design Review Committee, nor any officer of the Association, shall be personally liable to any Owner, or to any other party, including the Association, for any damage, loss or prejudice suffered or claimed on account of any act, omission, error or negligence of the Association, the Board, any manager or any other representative or employee of the Association, the Design Review Committee or any other committee, or any officer of the Association, provided that such person has, upon the basis of such information as may be possessed by him, acted in good faith, without willful or intentional misconduct.

Section 12.10 Rule Against Perpetuities. If any interest purported to be created by this Declaration is challenged under the rule against perpetuities or any related rule, the interest shall be construed as becoming void and of no effect as of the end of the applicable period of perpetuities computed from the date when the period of perpetuities starts to run on the challenged interest. The "lives in being" for computing the period of perpetuities shall be (a) those which would be used in determining the validity of the challenged interest, plus (b) those of the issue of the Board who are living at the time the period of perpetuities starts to run on the challenged interest.

Section 12.11 Change of Circumstances. Except as otherwise expressly provided in this Declaration, no change of conditions of circumstances shall operate to extinguish, terminate or

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modify any of the provisions of this Declaration.

Section 12.12 Limitation on Declarant's Liability. Notwithstanding, anything to the contrary herein, it is expressly agreed that from and after the date of this Declaration, neither Declarant, nor any of its partners, agents, employees, members, or officers shall have any personal liability to the Association, or to any Owner or other person, arising under, in connection with, or resulting from this Declaration. Further, it is acknowledged that Declarant is not a builder or contractor, and neither Declarant nor any of its partners, agents its, employees, members, or officers shall have any liability or responsibility with respect to construction of improvements of any nature within the Properties.

Section 12.13 Exemption of Declarant from Restrictions. Notwithstanding anything to the contrary in this Declaration, none of the covenants, conditions, restrictions, easements or other provisions in this Declaration shall be construed or deemed to limit or prohibit any act of Declarant of its employees, agents and contractors, or parties designated by them in connection with the sale or leasing of Lots, the Properties, Crimson View, or any part thereof.

Section 12.14 Arbitration. In the event of any dispute involving any Owner, the Association, the Declarant, or any of their officers, members, agents, employees, representatives, partners or affiliates, relating in any way to this Declaration or, without limitation, to any right, obligation, or privilege hereunder, or relating in any way to the operation or management of the Association, the maintenance or use of Common Areas, or to the construction of improvements upon the Properties, or to any representations made or allegedly made by any person, each Owner and Member, the Association, and Declarant, for themselves and their agents and contractors, agree that such dispute shall not be litigated in any court or judicial tribunal, but rather shall be arbitrated in accordance with the applicable rules of the American Arbitration Association. At least three arbitrators shall preside in any case involving a claim in excess of \$100,000.00, unless otherwise agreed in writing by the parties. Any arbitration shall take place in the State of Arizona, and not elsewhere. Judgment upon a final award may be rendered by any court of competent jurisdiction.

Notwithstanding the foregoing, the Association shall not be required to arbitrate any matter relating to the imposition of any fine, assessment, Assessment Lien, or the foreclosure of any Assessment Lien, nor shall the Association be precluded from seeking injunctive relief in court to enforce compliance with the provisions hereof.

Section 12.15 Rights of the Declarant. Any and all rights of the Declarant hereunder may be exercised by and shall be for the benefit of the Declarant and its sole beneficiary, Crimson View Properties L.L.C., an Arizona Limited Liability Company.

Section 12.16 Delivery of Notices and Documents. Any written notice or other documents relating to or required by this Declaration or the Articles or Bylaws may be delivered either personally or by mail. If by mail, such notice or documents shall be deemed to have been delivered forty-eight (48) hours after a copy of same has been deposited in the United States

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mail, postage prepaid, addressed as follows:

(a) If to the Association or the Design Review committee: To Crimson View Homeowner's Association, 2200 East River Road, Tucson, Az. 85718.

(b) If to Declarant: To Crimson View Properties, L.L.C., 2200 East River Road, Tucson, Az. 85718.

(c) If to an Owner, to the address of any Lot owned by him or to any other address last furnished by an Owner to the Association. Any such address may be cleaned at any time by the Association, Design Review Committee, or Declarant, by recording a written notice of change of address and delivering a copy thereof to the Association, or by an owner by filing the correct mailing address of side owner with the Association. Each Owner shall promptly, notify the Association in writing of any subsequent change of address.

IN WITNESS WHEREOF, Declarant has caused this Declaration to be duly executed this 11th day of March, 1996.

CRIMSON VIEW PROPERTIES, L.L.C.,
an Arizona Limited Liability Company

By /s/ David C. Blauert
Managing Member

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